



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

August 7, 2007

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES
REQUEST FOR SUBORDINATION OF PASS-THROUGH PAYMENTS TO COUNTY
TAXING ENTITIES ON VARIOUS REDEVELOPMENT PROJECTS
(SECOND and THIRD DISTRICTS) (3 VOTES)**

**JOINT RECOMMENDATION OF THE CHIEF EXECUTIVE OFFICER, THE FIRE
CHIEF, AND THE DIRECTOR OF PUBLIC WORKS THAT YOUR BOARD:**

Approve Resolutions subordinating the County of Los Angeles', the Fire District's, and the Flood Control District's right to receive pass-through payments from the Community Redevelopment Agency of the City of Los Angeles' ("Agency") Broadway/Manchester Recovery, Crenshaw/Slauson Recovery, Earthquake Disaster Assistance for Laurel Canyon Commercial Corridor, and Watts Redevelopment No. 1 Project ("Projects") for new tax allocation loans only, but not for any past or future parity indebtedness.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Projects were adopted by the City Council of the City of Los Angeles by the following ordinances and dates as follows:

Broadway/Manchester	170175	December 19, 1994
Crenshaw/Slauson	170734	October 10, 1995
Laurel Canyon	170157	December 9, 1994
Watts	137918	December 19, 1968

The Agency is preparing to issue a new tax allocation loan for each of the above listed projects for the purpose of financing a portion of redevelopment activities ("2007 Loans"). The subordination is required by law based on a timely Agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due. The County received the Agency's request for subordination on June 25, 2007.

Implementation of Strategic Plan Goals

This action supports Goal 4, Fiscal Responsibility of the County Strategic Plan to strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 33607.5(e) provides that pass-through payments to the taxing entities may be subordinated to a redevelopment agency's payments for debt service. The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the Agency will not be able to pay both the debt service payments and the pass-through payments to the affected taxing entities. The Agency's tax increment projections, reviewed by this Office, indicate that there will be sufficient coverage to satisfy the debt service on the 2007 Loans and the required pass-through payments to the taxing entities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." The Agency requested subordination for the 2007 Loans, for its tax allocation loan issued in September 2003, and "any future parity indebtedness." The Agency has made similar requests in the past, and your Board has declined to approve subordination on future indebtedness.

County Counsel recommends approving subordination to the proposed 2007 Loans only, and not granting approval for any past or future parity indebtedness, i.e., past or future debt with equal claim on Projects' tax increment. Since the primary justification for subordinating the County's position is to reduce the Agency's financing costs, County Counsel recommends your Board take no action on the Agency's request to subordinate its 2003 tax allocation loan, which represents its past indebtedness. County Counsel also recommends the County retain the right to review future indebtedness on a case-by-case basis. Accordingly, we will review the facts of any future subordination request.

Failure to act within 45 days after receipt of the Agency's request of June 25, 2007 constitutes County approval of the Agency's request to subordinate to the Loans and "any future parity indebtedness".

The Honorable Board of Supervisors
August 7, 2007
Page 3

CONCLUSION

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Executive Office, Office of Unincorporated Area Services, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division.

Respectfully submitted,



WILLIAM T. FUJIORA
Chief Executive Officer

Respectfully submitted,



P. MICHAEL FREEMAN
Fire Chief

Respectfully submitted,



DONALD L. WOLFE
Director of Public Works

WTF:LS
RM:ib

Attachments

c: Auditor-Controller
County Counsel
Chief Financial Officer, Los Angeles Redevelopment Agency

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES BROADWAY/MANCHESTER RECOVERY
REDEVELOPMENT PROJECT**

WHEREAS, the City Council of the City of Los Angeles on December 19, 1994 adopted Ordinance No. 170175, a Redevelopment Plan for the Broadway/Manchester Recovery Redevelopment Project (the "Broadway/Manchester Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") on June 25, 2007 by letter advised its intention to issue a tax allocation loan (the "2007 Loan") payable from and secured by a pledge of certain Broadway/Manchester Project tax increment revenues, and requested of the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("Fire"), and the Los Angeles County Flood Control District ("Flood") that any and all payments which the County, Fire, and Flood (the "Taxing Entities") are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Broadway/Manchester Project be subordinated to the Agency's payments of principal and interest on the 2007 Loan and any future parity indebtedness; and

WHEREAS, subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County, Fire, and Flood under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its 2007 Loan and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it prior to the Agency incurring any loans, bonds or other indebtedness, except loans from the community, and the Agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the Agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County, Fire, and Flood after payment of debt service on the Broadway/Manchester Project Loan, but not as to any "future parity indebtedness."

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The County, Fire and Flood hereby agree that so long as the 2007 Loan remains outstanding, any and all payments which the Taxing Entities are entitled to receive from the Broadway/Manchester Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Broadway/Manchester Project to pay the principal of and interest on the 2007 Loan.

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Broadway/Manchester Project
Page 2 of 2


The foregoing resolution was on the ____ day of August 2007, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI, Executive Officer
Clerk of the Board of Supervisors
Of the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

RAYMOND G. FORTNER, JR.

By 
Brandi M. Moore
Deputy County Counsel

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES CRENSHAW/SLAUSON RECOVERY REDEVELOPMENT
PROJECT**

WHEREAS, the City Council of the City of Los Angeles on October 10, 1995 adopted Ordinance No. 170734, a Redevelopment Plan for the Crenshaw/Slauson Recovery Redevelopment Project (the "Crenshaw/Slauson Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") on June 25, 2007 by letter advised its intention to issue a tax allocation loan (the "2007 Loan") payable from and secured by a pledge of certain Crenshaw/Slauson Project tax increment revenues, and requested of the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("Fire"), and the Los Angeles County Flood Control District ("Flood") that any and all payments which the County, Fire, and Flood (the "Taxing Entities") are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Crenshaw/Slauson Project be subordinated to the Agency's payments of principal and interest on the 2007 Loan and any future parity indebtedness; and

WHEREAS, subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County, Fire, and Flood under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its 2007 Loan and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it prior to the Agency incurring any loans, bonds or other indebtedness, except loans from the community, and the Agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the Agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County, Fire, and Flood after payment of debt service on the Crenshaw/Slauson Project Loan, but not as to any "future parity indebtedness."

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The County, Fire and Flood hereby agree that so long as the 2007 Loan remains outstanding, any and all payments which the Taxing Entities are entitled to receive from the Crenshaw/Slauson Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Crenshaw/Slauson Project to pay the principal of and interest on the 2007 Loan.

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Crenshaw/Slauson Project
Page 2 of 2

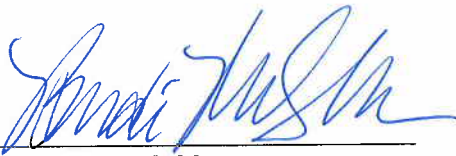
The foregoing resolution was on the ____ day of August 2007, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI, Executive Officer
Clerk of the Board of Supervisors
Of the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

RAYMOND G. FORTNER, JR.

By 
Brandi M. Moore
Deputy County Counsel

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES EARTHQUAKE DISASTER ASSISTANCE PROJECT FOR
LAUREL CANYON COMMERCIAL CORRIDOR**

WHEREAS, the City Council of the City of Los Angeles on December 9, 1994 adopted Ordinance No. 170157, a Redevelopment Plan for the Earthquake Disaster Assistance Project for Laurel Canyon Commercial Corridor (the "Laurel Canyon Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") in September 2003 issued a tax allocation loan payable from tax revenues from the Laurel Canyon Project (the "Prior Loan") and on June 25, 2007 by letter advised its intention to issue a new tax allocation loan (the "2007 Loan") also payable from and secured by a pledge of certain Laurel Canyon Project tax increment revenues, and requested of the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("Fire"), and the Los Angeles County Flood Control District ("Flood") that any and all payments which the County, Fire, and Flood (the "Taxing Entities") are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Laurel Canyon Project be subordinated to the Agency's payments of principal and interest on the Prior Loan and the 2007 Loan, and any future parity indebtedness; and

WHEREAS, subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County, Fire, and Flood under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on the 2007 Loan and the Prior Loan and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it prior to the Agency incurring any loans, bonds or other indebtedness, except loans from the community, and the Agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the Agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency made no request to the County to subordinate the Prior Loan prior to incurring its indebtedness; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County, Fire, and Flood after payment of debt service on the Laurel Canyon Project 2007 Loan, but not as to any "future parity indebtedness."

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Laurel Canyon Project
Page 2 of 2

The County, Fire and Flood hereby agree that so long as the 2007 Loan remains outstanding, any and all payments which the Taxing Entities are entitled to receive from the Laurel Canyon Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Laurel Canyon Project to pay the principal of and interest on the 2007 Loan. The Taxing Entities do not agree to subordinate for the Prior Loan.

The foregoing resolution was on the ____ day of August 2007, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI, Executive Officer
Clerk of the Board of Supervisors
Of the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

RAYMOND G. FORTNER, JR.

By 
Brandi M. Moore
Deputy County Counsel

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES WATTS RECOVERY REDEVELOPMENT PROJECT**

WHEREAS, the City Council of the City of Los Angeles on December 19, 1968 adopted Ordinance No. 137918, a Redevelopment Plan for the Watts Recovery Redevelopment Project (the "Watts Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") on June 25, 2007 by letter advised its intention to issue a tax allocation loan (the "2007 Loan") payable from and secured by a pledge of certain Watts Project tax increment revenues, and requested of the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("Fire"), and the Los Angeles County Flood Control District ("Flood") that any and all payments which the County, Fire, and Flood (the "Taxing Entities") are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Watts Project be subordinated to the Agency's payments of principal and interest on the 2007 Loan and any future parity indebtedness; and

WHEREAS, subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County, Fire, and Flood under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its 2007 Loan and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it prior to the Agency incurring any loans, bonds or other indebtedness, except loans from the community, and the Agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the Agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County, Fire, and Flood after payment of debt service on the Watts Project Loan, but not as to any "future parity indebtedness."

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The County, Fire and Flood hereby agree that so long as the 2007 Loan remains outstanding, any and all payments which the Taxing Entities are entitled to receive from the Watts Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Watts Project to pay the principal of and interest on the 2007 Loan.

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Watts Project
Page 2 of 2

The foregoing resolution was on the ____ day of August 2007, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI, Executive Officer
Clerk of the Board of Supervisors
Of the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

RAYMOND G. FORTNER, JR.

By  _____
Brandi M. Moore
Deputy County Counsel